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How Japan is managing the energy shock

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The Atlantic Council Global Energy Center develops and promotes pragmatic and nonpartisan policy solutions designed to advance global energy security, drive economic opportunity, and foster a sustainable energy future.

Bottom lines up front

- Japan navigated the first four months of the Strait of Hormuz closure with relative ease, thanks to ample stockpiles of crude oil and refined products and a diverse slate of liquefied natural gas (LNG) suppliers. But sustained market disruption has taken a heavy toll.
- Recent interviews in Tokyo with Japanese policymakers, oil and gas companies, utilities, and trading houses suggest that deep concern about supply risks, rising energy prices, and the availability of consumer goods is spurring a re-examination of long-held energy security assumptions.
- This paper summarizes the market impact of this supply shock for crude oil and products, LNG, and petrochemicals; the energy security vulnerabilities revealed since March; and potential policy responses as Japan looks ahead to its next strategic energy plan.

Introduction

As an island nation with one of the lowest degrees of energy self-sufficiency of any major economy—just 13 percent of its energy is produced within its own borders—Japan depends almost entirely on imports to meet its fossil fuel demand.[1] It has experienced numerous supply disruptions, but the US and Israeli attack on Iran and Iran's closure of the Strait of Hormuz have created the largest oil market disruption in history. For Japan, the risks vary between crude oil and refined products, natural gas, and petrochemicals.

Japan's immediate response was to draw down oil inventories. As part of the largest-ever emergency stockpile release coordinated by the International Energy Agency (IEA), Japan released 54 million barrels (bbl) of crude oil and almost 26 million

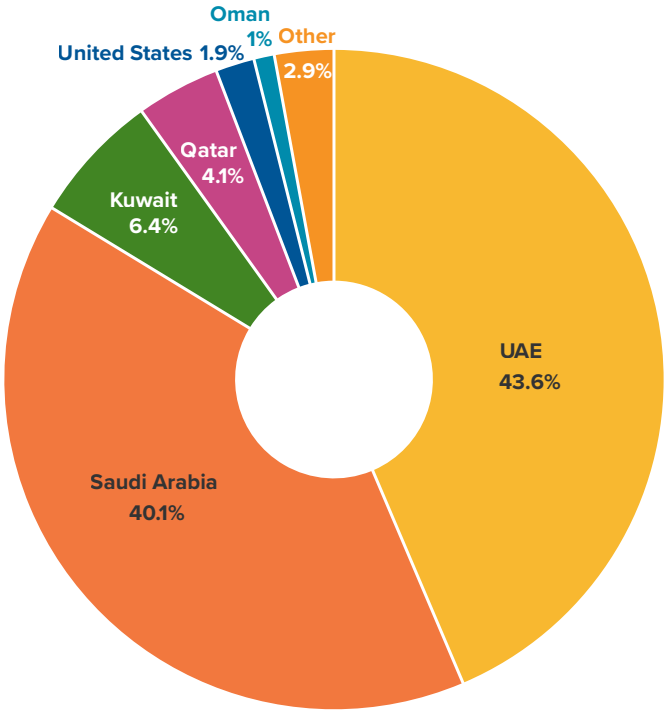
1. International Energy Agency (IEA), "Japan and Korea," in *World Energy Investment 2025*, IEA, 2025, https://www.iea.org/reports/world-energy-investment-2025/japan-and-korea.

bbl of refined products.[2] This was the largest national contribution to the IEA release, aside from the 172 million bbl pledged by the United States. On April 24, Japan announced a second independent release from national reserves of about 36 million bbl.[3] At the time of this announcement, Japan held reserves equivalent to 214 days of consumption, including a mix of national inventories, private-sector inventories, and joint stockpiles managed with the national oil companies of Saudi Arabia, the United Arab Emirates (UAE), and Kuwait.[4]

The market also adjusted quickly. Like other Asian importers, Japan saw supply-induced demand curtailment. Japan's crude imports in April 2026 fell to a record low, down nearly 66 percent from the previous year.[5] Crude imports in May recovered to 7.29 million kiloliters (1.48 million barrels per day)—a

Figure 1: Japan's sources of crude oil imports (FY 2024)

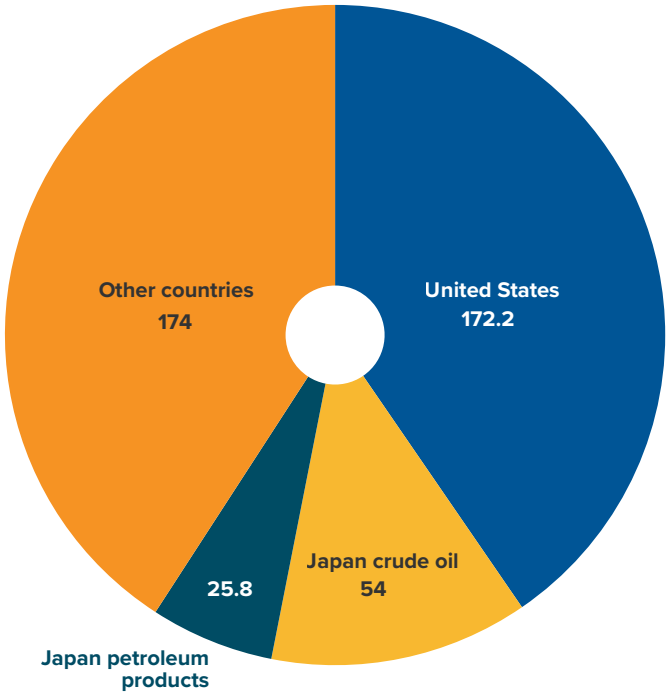
in %



Source: The Ministry of Economy, Trade and Industry (METI), Japan

Figure 2: March 2026 IEA emergency release

in millions of barrels



Source: International Energy Agency

2. "IEA Confirms Member Country Contributions to Collective Action to Release Oil Stocks in Response to Middle East Disruptions," IEA, March 19, 2026, https://www.iea.org/news/iea-confirms-member-country-contributions-to-collective-action-to-release-oil-stocks-in-response-to-middle-east-disruptions.
3. "Second Round Release of National Petroleum Reserves," Japan's Ministry of Economy, Trade and Industry (METI), April 15, 2026, https://www.meti.go.jp/english/press/2026/0415_002.html.
4. Kohei Yamamoto, "Japan to Release Second Batch of Oil Reserves from May," Argus Media, April 24, 2026, https://www.argusmedia.com/en/news-and-insights/latest-market-news/2818569-japan-to-release-second-batch-of-oil-reserves-from-may; "Oil Statistics," Petroleum Association of Japan, accessed June 9, 2026, https://www.paj.gr.jp/english/statis; and "International Relations," Japan Organization for Metals and Energy Security, accessed June 9, 2026, https://www.jogmec.go.jp/english/activities/stockpiling/petroleum-lpg-stockpiling/international-relations.html.
5. Sivassanggari Tamil Selvam, "Japan Pivots to US Crude as April Imports Hit Record Low," S&P Global, June 2, 2026, https://www.spglobal.com/energy/en/news-research/latest-news/crude-oil/060226-japan-pivots-to-us-crude-as-april-imports-hit-record-low.

substantial increase, but still down by 38 percent year-on-year.[6] Even with Japan's stockpile releases, the country cut refinery runs in March and April to about two-thirds of Japan's total refining capacity of 3.1 million barrels a day.[7] Runs increased in May as refiners secured alternative crudes from the United States and other suppliers.[8]

Japan typically imports 94 percent of its crude oil from the Middle East, and there is an economic rationale for this extreme dependence.[9] Medium sour crudes from the Arab Gulf states and Iraq are well suited to Japanese refinery configurations, producing high yields of refiners' desired slate of products such as jet fuel and diesel. Refinery reconfigurations to process other crudes on a permanent basis—as opposed to short-term substitutions that work in a pinch but produce a sub-optimal slate of products and harm refinery economics—would have been costly. The economics are especially challenging in a country with declining oil demand that has prompted the closure of several refineries since 2023.[10]

Ample stockpiles and careful planning helped Japan to navigate the oil market disruption, as well as a long-standing commitment to maintain domestic refining capacity sufficient to meet national demand.[11] In contrast, some countries such as Australia saw localized fuel shortages due to import dependence as well as a lack of domestic stockpiles.[12] But Japan's government is reassessing its supply diversification and dependence on a single choke point.

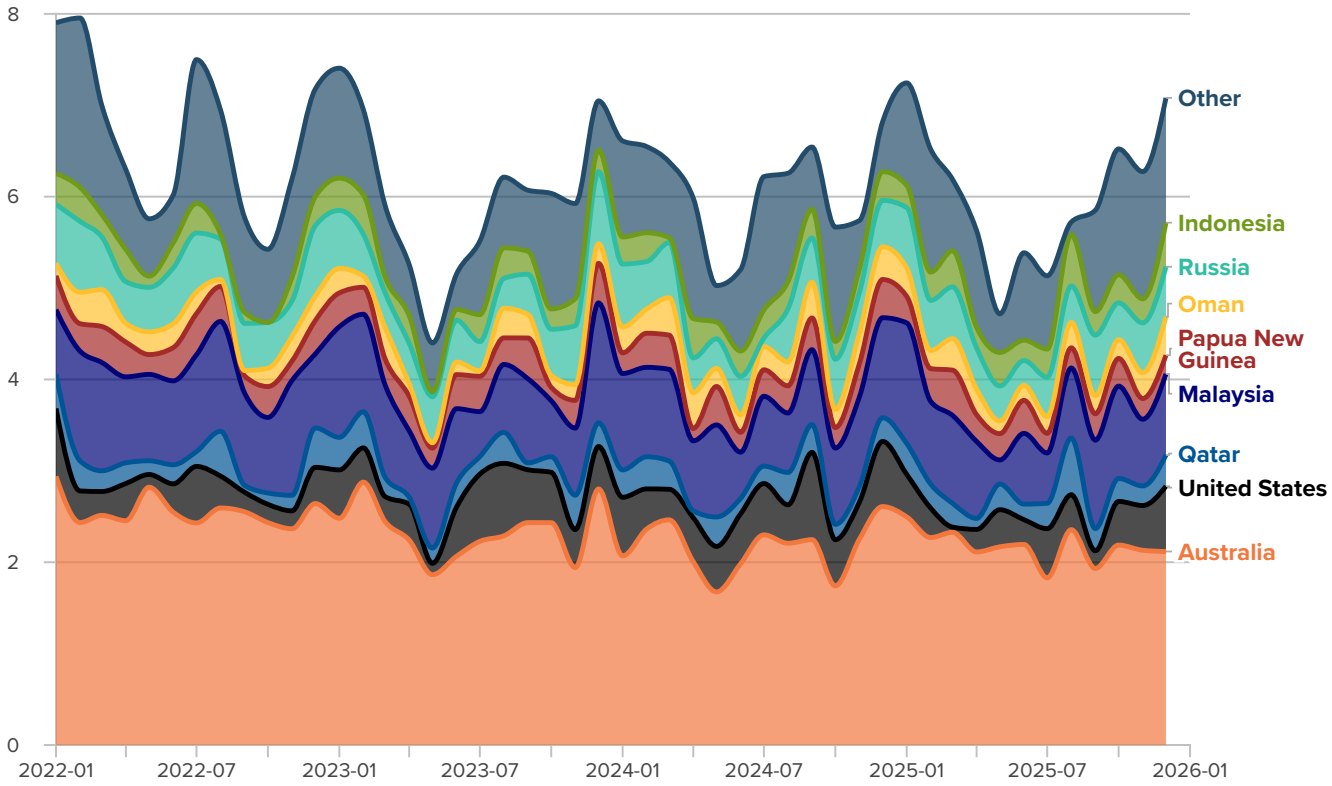
Limited LNG impact

Compared with crude oil and products, Japan sources far less of its natural gas from the Gulf. Still, the integrated nature of this supply shock may affect its import costs via higher oil prices and intensified competition for LNG volumes.

6. Preliminary Report on Petroleum Statistics, May 2026, Ministry of Economy, Trade, and Industry, accessed July 15, 2026, https://www.meti.go.jp/english/statistics/tyo/sekiyuso/index.html.
7. Katya Golubkova and Yuka Obayashi, "Japan Refiners Run at Two-Thirds Capacity, Awaiting Crude from Outside the Gulf," Reuters, April 15, 2026, https://www.reuters.com/business/energy/japan-refiners-run-two-thirds-capacity-awaiting-crude-outside-gulf-2026-04-15/; and "Oil Statistics," Petroleum Association of Japan.
8. Kohei Yamamoto, "Japan's Refinery Run Rates Rise in May Despite Iran War," Argus Media, May 20, 2026, https://www.argusmedia.com/en/news-and-insights/latest-market-news/2829266-japan-s-refinery-run-rates-rise-in-may-despite-iran-war; and "Japan to Release Over 36 Million Barrels of Crude Oil Reserves — OPIS," Dow Jones Newswires, April 24, 2026, https://www.morningstar.com/news/dow-jones/202604242459/japan-to-release-over-36-million-barrels-of-crude-oil-reserves-opis.
9. "Petroleum Statistics (Flash Report), April 2026," METI, accessed June 9, 2026, https://www.meti.go.jp/statistics/tyo/sekiyuso/result/pdf/h2j581011e.pdf.
10. Jeff Barron, "Japanese Refineries Close as the Country's Petroleum Consumption Falls," *Today in Energy, US Energy Information Administration,* December 13, 2023, https://www.eia.gov/todayinenergy/detail.php?id=61063.
11. Tatsuya Terazawa, "The Impacts of the Iranian Crisis on Japan's Energy Strategy," Atlantic Council, May 19, 2026, https://www.atlanticcouncil.org/content-series/global-energy-agenda/the-impacts-of-the-iranian-crisis-on-japans-energy-strategy/.
12. Helen Livingstone and Simon Atkinson, "Panic Buying Prompts PM to Reassure Australians Over Fuel Supply," BBC News, March 27, 2026, https://www.bbc.com/news/articles/cg73znr1vj7o; and Tina Soliman-Hunter, "The Government's Plans to Bolster Australia's Fuel Stores Are Sensible – but 5 Years Too Late," *Conversation, May 6, 2026,* https://theconversation.com/the-governments-plans-to-bolster-australias-fuel-stores-are-sensible-but-5-years-too-late-282253.

Figure 3: Japan's LNG imports by origin

millions of tons



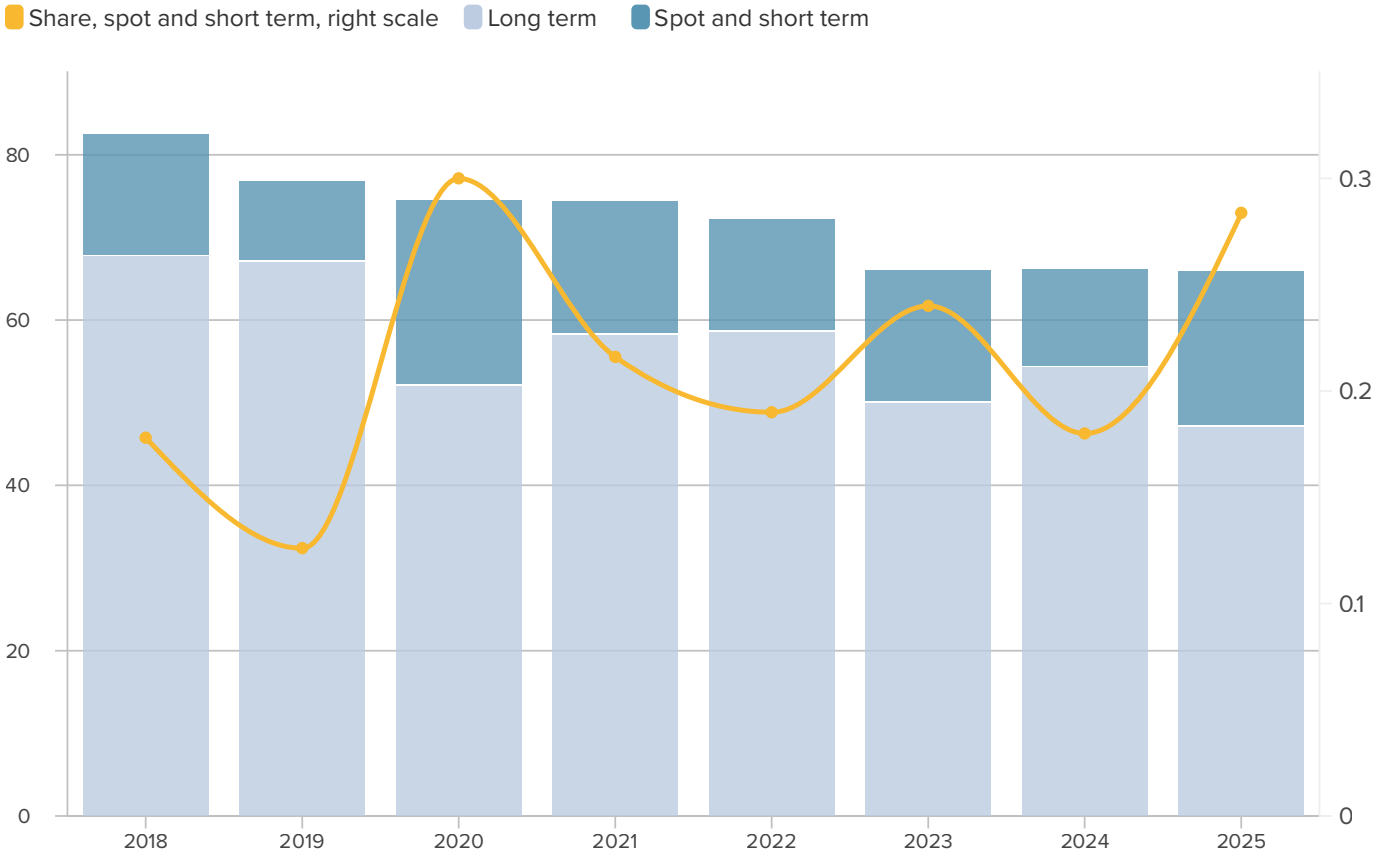
Source: Kpler

Australia alone supplied about 40 percent of Japan's LNG imports in 2025, according to Kpler data, and Malaysia, Russia, the United States, and several Southeast Asian countries are among its top suppliers. Collectively, Qatar, the UAE, and Oman suppled just 10 percent of Japan's LNG imports in 2025.[13] Oman's LNG exports have been relatively unaffected since March, since tankers load at Qalhat, east of the Strait of Hormuz. Qatar's LNG exports to Japan have fallen over the past five years, but its role is again evolving. Qatar lost market share when Japan's Jera opted in 2021 not to renew long-term supply contracts accounting for 5.5 million metric tons per year (mmtpa), due to the inability to agree on commercial terms including destination flexibility, according to S&P Global.[14] But beginning in 2028, a new supply deal signed in February 2026 between Jera and Qatar Energy will deliver 3 mmtpa over twenty-seven years.[15]

Aside from Japan's diverse import sources, long-term LNG contracts help to insulate buyers from spot market volatility. Since 2018, long-term contracts have accounted for 79 percent of Japan's total imports, according to data from the International Group of LNG Importers (GIIGNL). The Ministry of Economy, Trade, and Industry (METI) strongly prefers long-term contracts as a means

13. International Group of Liquefied Natural Gas Importers, *GIIGNL Annual Report 2026,* GIIGNL, 2026, https://www.giignl.org/annual-report.
14. Takeo Kumagai and Eric Yep, "Japan's JERA Will Not Renew 5.5 Mil Mt/Year of Long-Term Qatari LNG Supply: President," S&P Global, November 25, 2021, https://www.spglobal.com/energy/en/news-research/latest-news/lng/112521-japans-jera-will-not-renew-55-mil-mtyear-of-long-term-qatari-lng-supply-president.
15. "JERA Signs 27-Year LNG Supply Agreement with QatarEnergy," JERA Co., February 3, 2026, https://www.jera.co.jp/en/news/information/20260203_2351.

Figure 4: Japan's LNG imports (million tons)



Note: Spot and short-term: delivered under contracts with less than four-year duration

Source: Annual reports, International Group of LNG Importers (GIIGNL)

to enhance energy security.[16] Indeed, the extreme price spikes that followed Russia's full-scale invasion of Ukraine in 2022 vindicated this view, from the perspective of Japanese policymakers.

Despite these sources of resilience, Japan is not immune from shifting market conditions. On March 4, Qatar Energy declared force majeure on its 78 mmtpa in liquefaction capacity at Ras Laffan, meaning it is unable to meet supply commitments to customers. It has extended force majeure to at least one European buyer until early September.[17] If it follows suit for all buyers, that would imply six months of foregone supply and diminished output from undamaged trains for the remainder of the year, implying approximately 43.3 tons of lost LNG production.

So far, the price impact has been modest. Spot prices in Northeast Asia and Europe remained below $19 per million British thermal units (MMBtu) through June 9, and dropped following the memorandum of understanding signed by the United States and Iran in June.[18] But spot prices could increase in the coming months as European Union buyers seek to replenish gas inven-

16. Ben Cahill, "How Japan Is Responding to the LNG Supply Wave," Center for Energy and Environmental Systems Analysis, University of Texas at Austin, September 2025, https://static1.squarespace.com/static/66f440245e8cad0f685673ec/t/68d548e509a11c601513fb2a/1758808293116/Sept+2025+White+Paper_FINAL.pdf; "Navigating Global Uncertainty and Economic Growth," (discussion paper presented at the LNG Producer-Consumer Conference 2025, Tokyo, Japan, June 20, 2025).
17. "Qatar Energy Extends Force Majeure With an Additional Four Cargoes," Edison SpA, June 30, 2026, https://www.edison.it/en/edison-qatarenergy-extends-force-majeure-additional-four-lng-cargoes.
18. Pranav Kashyap, "European Natural Gas Set for First Quarterly Fall in over a Year," Yahoo Finance, June 30, 2026, https://uk.finance.yahoo.com/news/european-natural-gas-set-first-091012796.html.

tories, pulling volumes away from Asia and reversing the recent Asian spot price premium to Title Transfer Facility (TTF) prices in Europe.[19] The rise in oil prices could also affect oil-linked prices in long-term contracts.

Gas buyers in Japan are re-evaluating risks associated with Middle East supplies. This began several years ago, after the Houthi militia group in Yemen began targeting vessels transiting the Red Sea.[20] Of course, every supply source presents some degree of risk—ranging from drought that could impede Panama Canal transit to gas export policy risk in Australia.[21] But from the perspective of Japanese buyers, these events have dented Qatar's sterling reputation as a reliable supplier. An open question is whether new perceptions of geopolitical and supply risk will reduce Qatar's leverage in future contract negotiations with buyers in Japan and elsewhere.

The Gulf war and Strait of Hormuz closure also raise questions about the medium-term market balance. Japanese buyers expected a significant LNG supply expansion in the coming years, especially from the United States and Qatar—although many were skeptical that a glut would materialize, due to frequent delays and commissioning challenges with new liquefaction projects. Lost volumes from Qatar will tighten the near-term balance, but the IEA still anticipates total global liquefaction capacity additions of about 310.5 billion cubic meters per year, or 225 mmtpa, between 2026 and 2030.[22] Japanese buyers may be skeptical that the outages in Qatar will lead to a sustainable market tightening over the medium term.

More vulnerability in petrochemicals

The Gulf supplies a large share of Japan's petrochemicals imports, and it was apparent in the early weeks of the energy shock that this could be an acute pain point. Japan typically produces about 40 percent of its own naphtha supply; the nation imports 40 percent of its supply from the Middle East and 20 percent from other countries.[23] As in other importing countries, petrochemicals constituted a large share of lost oil consumption. The IEA's May 2026 Oil Market Report noted that a lack of naphtha was a key factor in the 250,000 b/d decline in Japan's oil imports in March.[24]

Prime Minister Sanae Takaichi assured Japanese citizens in early April that the country held two months' supply of naphtha as well as reserves of intermediate products such as polyethylene—a material used for packaging and medical supplies, among other applications. Still, Japanese petrochemicals producers had to scramble for other supply sources and reduce production.[25]

The government is focusing on ensuring the availability of critical consumer goods such as medical supplies. By mid-May, Takaichi's government was confident that naphtha-based chemical products would remain stable until the end of 2026. Still, the government is addressing potential shortages of goods such as lubricants, paints, and rubber gloves. In public messaging, the government is attempting to strike a balance between assuring

19. "AGSI Storage Inventory," Gas Infrastructure Europe, accessed June 9, 2026, https://agsi.gie.eu/; and Stephen Stapczynski, Mary Hui, and Priscila Azevedo Rocha, "A Searing Asian Summer Will Add to Risk of Surging Gas Prices," Bloomberg, May 25, 2026, https://www.bloomberg.com/news/articles/2026-05-25/el-nino-threatens-global-gas-market-reeling-from-hormuz-closure.
20. "Yemen: Houthis' Attacks on Cargo Ships Apparent War Crimes," Human Rights Watch, July 23, 2025, https://www.hrw.org/news/2025/07/23/yemen-houthis-attacks-on-cargo-ships-apparent-war-crimes.
21. Elida Moreno and Marianna Parraga, "Panama Canal Not Planning to Curb Ships' Passage for 2026 Despite Drought Threat," Reuters, May 15, 2026, https://www.reuters.com/sustainability/land-use-biodiversity/panama-canal-not-planning-curb-ships-passage-2026-despite-drought-threat-2026-05-15/.; and Helen Clark, "Draft Australian LNG Policy Draws Ire from Industry," Reuters, May 25, 2026, https://www.reuters.com/business/energy/draft-australian-lng-policy-draws-ire-industry-2026-05-25/.
22. "Global LNG Capacity Tracker," IEA, updated June 12, 2026, https://www.iea.org/data-and-statistics/data-tools/global-lng-capacity-tracker; and "Annual LNG Liquefaction Capacity Additions from Post-FID Projects," IEA, updated June 12, 2026, https://www.iea.org/data-and-statistics/charts/annual-lng-liquefaction-capacity-additions-from-post-fid-projects.
23. "Imports for Major Petrochemicals," Japan Petrochemical Industry Association, accessed June 9, 2026, https://www.jpca.or.jp/english/06stats/imports.htm; and Jonathan Yee, "Japan's Naphtha, Chemical Intermediate Stocks Sufficient Beyond June – PM," Independent Commodity Intelligence Services, LexisNexis, April 6, 2026, https://www.icis.com/explore/resources/news/2026/04/06/11195449/japan-s-naphtha-chemical-intermediate-stocks-sufficient-beyond-june-pm/.
24. IEA, *Oil Market Report – May 2026, IEA,* May 13, 2026, https://iea.blob.core.windows.net/assets/2b89a47b-34a2-40e0-90ff-68f7c-cd80715/-13MAY2026__OilMarketReport_publicversion.pdf.
25. Yee, "Japan's Naphtha"; and "Japan's Ethylene Plant Run Rate Hits Record Low of 68.6% in March," *Hydrocarbon Processing,* April 4, 2026*,* https://www.hydrocarbonprocessing.com/news/2026/04/japans-ethylene-plant-run-rate-hits-record-low-of-686-in-march/.

the public of ample supply and acknowledging potential supply chain bottlenecks.[26]

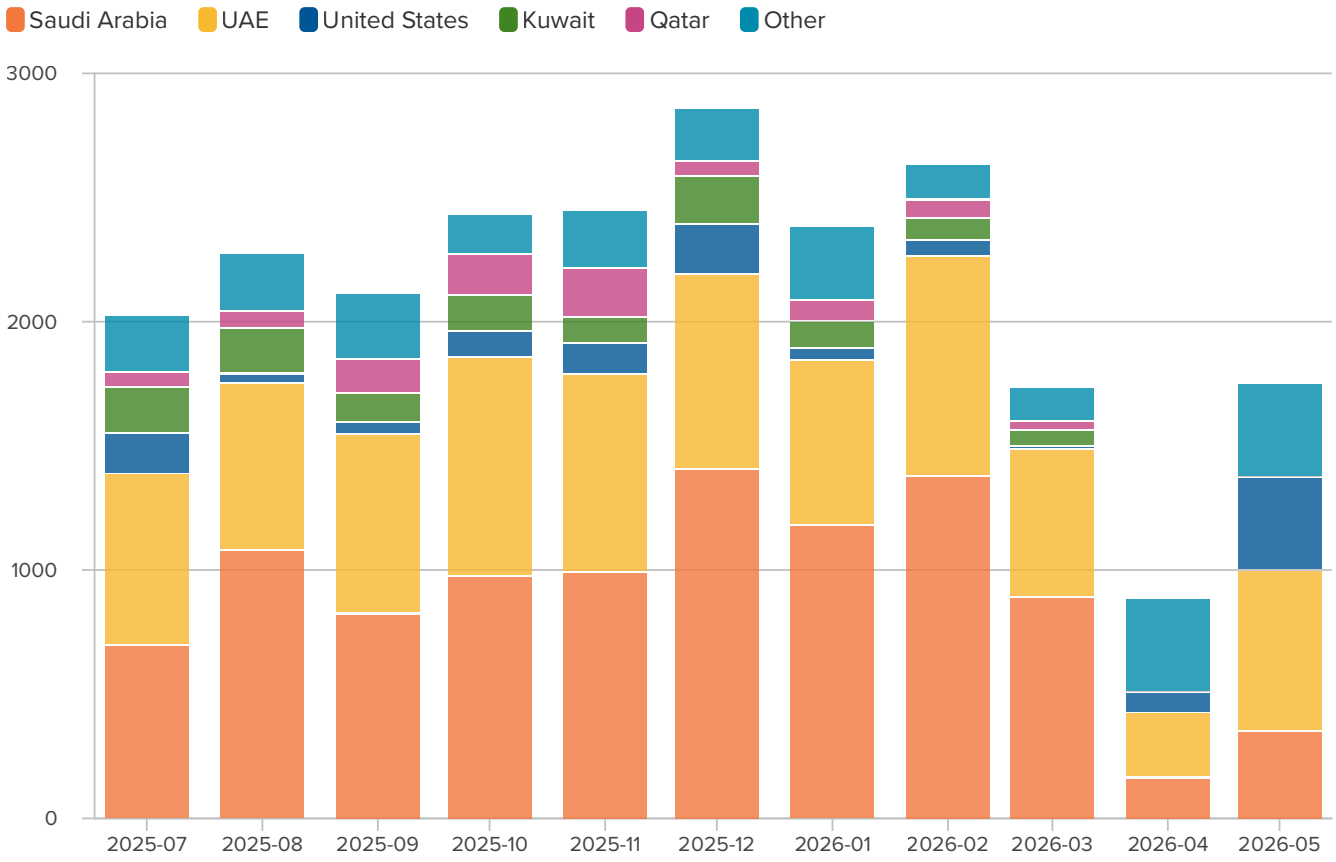
Lessons learned and preparations for the next energy shock

Japan is likely to develop new tools and partnerships to bolster energy security. These priorities may include a holistic review of sources of **crude oil imports** and adjustments in the downstream sector to accommodate a variety of crudes; supporting **new energy infrastructure** to avoid choke points; and **cooperation and resource sharing** with other Asian countries.

In retrospect, it was risky for Japan to rely on the Middle East to supply more than 90 percent of its **crude oil imports**. Already, refiners in Japan have begun to source alternative crudes from the United States and other markets. As of May, Japanese refiners were evaluating other potential crude supplies from Alaska, Venezuela, Mexico, and Russia, among other regions.[27] Japan's imports of Russia's Sakhalin Blend crude are exempt from the

Figure 5: Japan's import sources and adjustments (crude and condensate)

in thousand b/d



Source: Kpler

26. *Asia Today, translated by UPI, "Japan Secures Naphtha Supply Beyond Year-End," via UPI,* May 1, 2026, https://www.upi.com/Top_News/World-News/2026/05/01/japan-secure-stable-supply-naphtha-based-chemical-products/2281777680555/; and "Japan PM Takaichi Asks Ministers to Resolve Supply Bottlenecks for Naphtha Items," NHK World-Japan, May 21, 2026, https://www3.nhk.or.jp/nhkworld/en/news/20260521_14/.

27. Yamamoto, "Japan's Refinery Run Rates Rise."

Group of Seven price cap, although the US Treasury license allowing these imports expires on December 18, 2026.[28]

It is possible that METI will work with the domestic refining sector to assess available substitutes for lost sour crude grades from the Middle East. To enhance longer term energy security, the government may consider financial support including subsidies for refinery reconfigurations, so they are able to process lighter crudes from the United States and other suppliers in the Western Hemisphere. These reconfigurations would likely be uneconomic without government support.

Oil importers around the world are likely to focus on diversification of supply sources, and policymakers recognize the need to finance **new energy infrastructure** to avoid choke points. Without Saudi Arabia's East-West Pipeline, the Abu Dhabi Crude Oil Pipeline (Habshan to Fujairah), and alternative pipeline routes from Iraq, the post-March supply situation would have been far worse. The UAE is now accelerating construction of a second pipeline to Fujairah that will bypass the Strait of Hormuz and expects it to become operational as soon as 2027.[29] Saudi Aramco plans to expand both storage and loading capacity at its port of Yanbu on the Red Sea, and other exporters may consider new rail transport and storage sites to build redundancy.[30]

Building redundant energy infrastructure will be costly. Gulf national oil companies and global infrastructure funds are perhaps the most likely sources of capital for these projects, and so far, the Arab Gulf states do not appear to have made specific requests to Japanese government agencies or institutions. But such projects may be aligned with the interests and capacity of the Japan Bank for International Cooperation (JBIC), a policy-based financial institution affiliated with the Ministry of Finance that has a mandate to support natural resources projects that enhance energy security.[31] The Japan Organization for Metals and Energy Security and other state institutions may also support overseas projects that could boost alternative supply sources.[32] Of course, while such efforts may bolster medium-term energy security, they will not solve immediate challenges.

Japan is also expanding **cooperation and resource sharing** with other Asian countries to build resilience to energy shocks. This energy crisis hit Asia first and hardest, given the region's dependence on Middle East supplies. The impact has been most severe in less wealthy importing countries that lack sizeable crude oil or product stockpiles. In the early weeks of the supply shock, several Asian importers contacted the Japanese government requesting advice on energy security planning and the establishment of strategic stockpiles.

In response, Takaichi's government announced in April the Partnership on Wide Energy and Resources Resilience Asia (POWERR Asia) initiative, to include a support package of up to ¥1.5 trillion (approximately $9.2 billion).[33] These funds could be used to support procurement of alternative crude and product supplies or aid for governments struggling with high import costs. Various government institutions could have a role in implementing POWERR Asia initiatives, including JBIC and Nippon Export and Investment Insurance, Japan's export credit agency.[34] Japan and South Korea also announced a

28. Takeo Kumagai, "Japan Sees Russian Oil as 'Extremely Important' for Energy Security: Akazawa," S&P Global Energy, March 15, 2026, https://www.spglobal.com/energy/en/news-research/latest-news/lng/031526-japan-sees-russian-oil-as-extremely-important-for-energy-security-akazawa; and US Department of the Treasury, Office of Foreign Assets Control, General License No. 55F: Authorizing Certain Services Related to Sakhalin-2, June 11, 2026, https://ofac.treasury.gov/media/935696/download?inline.
29. Spencer Kimball, "UAE Says New Pipeline That Will Bypass Strait of Hormuz Is Nearly 50% Complete," CNBC, May 20, 2026, https://www.cnbc.com/2026/05/20/uae-pipeline-strait-hormuz-iran-war-oil.html.
30. Georgi Kantchev and Julia Nasser, "The Strait of Hormuz Squeeze Is Redrawing the Oil Map for Good," *Wall Street Journal,* June 3, 2026, https://www.wsj.com/world/middle-east/the-hormuz-squeeze-is-redrawing-the-oil-map-for-good-cf33d8c0; and Joseph Wilkins, "Iraq and UAE Race to Establish Alternative Oil Pipelines," CNBC, June 9, 2026, https://www.cnbc.com/2026/06/09/iraq-uae-hormuz-oil-pipelines-oil-iran-war.html.
31. Japan Bank for International Cooperation, "JBIC Profile — Role and Function," accessed June 18, 2026, https://www.jbic.go.jp/en/information/today/today_2023sp/jtd_202312_sp7.html; and Japan Bank for International Cooperation, "Energy and Natural Resources," accessed June 18, 2026, https://www.jbic.go.jp/en/business-areas/sectors/resources.html.
32. "JOGMEC Carbon Neutral Initiative: Basic Policy and Action Plan," Japan Organization for Metals and Energy Security, revised November 2022, https://www.jogmec.go.jp/english/about/basic-policy.html.
33. Takio Yamada, "Japan's Bold Moves for Energy Resilience in Asia: POWERR Asia and AZEC 2.0 Japan's New Flagship Regional Initiatives," Japan Institute of International Affairs, April 20, 2026, https://www.jiia.or.jp/eng/report/2026/04/20260420.html.
34. Nippon Export and Investment Insurance, "About Trade Insurance," accessed June 18, 2026, https://www.nexi.go.jp/en/products/index.html.

partnership to facilitate crude and petroleum product swaps as well as mutual procurement strategies.[35]

The POWERR Asia initiative recognizes that vulnerabilities vary among Asian energy importers. For some, crude oil shortages are the key challenge, while for others, natural gas or petrochemicals are the greatest vulnerability. One potential outcome of these events could be to promote new forms of multilateral cooperation, as opposed to fragmented national responses that may intensify competition for scarce resources. Japanese government agencies must consider national interests and domestic economic and energy security first. But the country has lessons to share on long-term planning, stockpiling, cooperation with major energy producers, and the creation of state institutions that enhance energy security.

There may be geopolitical benefits to Japan in assuming a regional leadership role in energy security. Oil and gas importing countries in Asia have experienced much deeper energy supply and price shocks since March compared with other regions. Governments may also feel that fossil fuel energy abundance in Western Hemisphere countries leaves them more prone to foreign policy decisions that jeopardize energy security for Asian importers.[36] While China focuses on domestic energy security—sometimes via decisions regarding inventory management and refined product export restrictions that are non-transparent and harm other countries in the region—Japan could facilitate dialogue and planning to deal with new energy security challenges and tensions.

Import dependence will shape policy response

Japan takes energy security seriously.[37] For decades, Japan has planned carefully to insulate itself from exogenous shocks, invest in oil and gas production abroad, and cultivate ties with exporting countries to bolster its resilience. These perspectives are embedded in Japan's strategic energy plans, which set long-term energy and climate goals including emissions reduction targets.[38] These METI blueprints influence company investment priorities. The 2026 energy crisis will no doubt lead the government to re-evaluate some key assumptions when it develops its next set of plans.

Japan's seventh Strategic Energy Plan, known as 7SEP and approved by the cabinet in February 2025, featured an ambitious target to cut CO_2 emissions by 73 percent by Fiscal Year 2040 compared to FY 2013 levels.[39] It noted that the prospect of increased electricity demand made it especially important for Japan to "maximize the use of renewable energy as our major power source." Japan aims to raise the share of renewable energy in power generation from 22 percent in FY 2022 to between 30 percent and 40 percent of power generation by FY 2040. Yet the plan reflected Japan's energy security challenges. "Since Japan lacks readily accessible natural resources and is geographically constrained by its mountainous land and being surrounded by deep oceans," it noted, "the basic perspective of energy policy is to pursue an optimal balance among … energy security, economic efficiency, and environment, with safety as a fundamental prerequisite." Critics of the 7SEP argue that Japan has been too cautious on supporting renewable energy and too wedded to its traditional dependence on imported fossil fuels.[40]

35. Sivassanggari Tamil Selvam, "Japan Pivots to US Crude as April Imports Hit Record Low," S&P Global, June 2, 2026, https://www.spglobal.com/energy/en/news-research/latest-news/crude-oil/060226-japan-pivots-to-us-crude-as-april-imports-hit-record-low.
36. Ben Cahill, "Five Lessons from the Oil Market Shock," Atlantic Council, July 9, 2026, https://www.atlanticcouncil.org/blogs/energysource/five-lessons-from-the-oil-market-shock/.
37. Ben Cahill, Jane Nakano, and Kunro Irié, "How Japan Thinks About Energy Security," Center for Strategic & International Studies (CSIS), May 22, 2024, https://www.csis.org/analysis/how-japan-thinks-about-energy-security.
38. "Strategic Energy Plan," Agency for Natural Resources and Energy, last updated October 8, 2025.
39. Government of Japan, *Strategic Energy Plan, METI, Agency for Natural Resources and Energy,* February 2025, https://www.enecho.meti.go.jp/category/others/basic_plan/pdf/2025_strategic_energy_plan.pdf.
40. Pinar Temocin, "Why Is Japan Overprioritising Hydrogen and Ammonia Over Renewables?," East Asia Forum, April 29, 2026, https://eastasiaforum.org/2026/04/29/japans-hydrogen-pivot-is-a-detour-from-real-decarbonisation/.

Figure 6: Primary energy supply in 2040: Alternative scenarios (million kiloliters of oil equivalent)

	Base Case	Risk Case
Primary energy supply	**420-440**	**430**
Renewable	110-130	90
Nuclear	50	50
Hydrogen	20	10
Natural gas	80-90	110
Oil	90-120	120
Coal	40-50	60
Final energy consumption	**260-270**	**270**
CO_2 emissions from energy ($mtCO_2$)	**360-370**	**540**

Source: IEEJ, January 2025

The 7SEP reflected the experience of the last global energy shock, which followed Russia's 2022 full-scale invasion of Ukraine. At the outset, the document highlighted a renewed focus on economic security and stated, "We must take all possible measures to ensure energy security." One of the new features incorporated in this plan was a risk scenario reflecting uncertainties that could complicate Japan's emissions reduction goals, such as slower-than-expected progress on adding renewable energy capacity and reducing the cost of lower-carbon fuels such as hydrogen and ammonia. This "technological process" risk scenario would, in METI's view, require Japan to secure up to 20 mmtpa in additional LNG supply volume by 2040.

Even before the Middle East conflict, it seemed likely that this risk scenario could become the base case due to challenges in some renewable energy sectors as well as limited commercial progress in ammonia and hydrogen market development, which Japan hoped would enable cofiring with fossil fuels at power plants to reduce emissions.[41]

As Japan takes early steps toward developing its eighth strategic energy plan—which should be published in 2028, suggesting that work will begin late this year and largely take place in 2027—policymakers will again grapple with the best means of enhancing long-term energy security. As in the past, the future of nuclear energy remains a difficult topic. Fifteen years after the Fukushima Daiichi nuclear accident, nuclear energy is gradually gaining more public support although local residents and politicians often oppose restarting shuttered reactors.[42] METI, however, has long championed restarting reactors that were shut down in 2011 and recently proposed replacing up to fourteen nuclear reactors by the 2050s, aiming to both meet

41. Yuka Obayashi and Katya Golubkova, "Mitsubishi Quits Japan Offshore Wind Sites Citing Rising Costs," Reuters, August 27, 2025, https://www.reuters.com/sustainability/climate-energy/mitsubishi-quits-japan-offshore-wind-sites-citing-rising-costs-2025-08-27/; "Hydrogen and Ammonia: 2024 Trends, Opportunities and Risks in Light of Japanese Regulatory Change," Norton Rose Fulbright, January 2024, https://www.nortonrosefulbright.com/en/knowledge/publications/f34a1ae7/hydrogen-and-ammonia-2024-trends-opportunities-and-risks-in-light-of-japanese-regulatory-change; and Nick Edstrom and Vipul Garg, "Power Generation Pivotal to Creating Large-Scale Hydrogen Supply Chain in Japan," S&P Global Energy, December 20, 2024, https://www.spglobal.com/energy/en/news-research/latest-news/energy-transition/122024-power-generation-pivotal-to-creating-large-scale-hydrogen-supply-chain-in-japan.

42. Francisco "A.J." Camacho, "As Wars Throttle Gas, Japan Is Embracing Nuclear," *Politico,* April 18, 2026, https://www.politico.com/news/2026/04/18/japan-nuclear-fukushima-energy-00816474.

expected energy demand and enhance energy security.[43] Despite the policy challenges, the current energy crisis may lead to a rise in political support for nuclear energy technologies as a domestic energy source.

Conclusion

Japan was well prepared for this energy shock compared to many other importers, but after more than four months, it remains highly exposed. Decades of careful planning and investment boosted oil stockpiles, and the government moved decisively to leverage this resource. As the world's second-largest LNG importer, Japan has long pursued a policy of supply diversification and cautious procurement—preferring to remain overcontracted rather than risk a gas-supply shortfall.[44] Yet the country has vulnerabilities, especially in petrochemicals and in refinery configurations that constrain its crude oil import options. Japan remains quite dependent on Gulf oil supplies, despite its efforts to invest in diverse resources abroad.

Japan's policy response to this shock may be more modest than other countries, because its long-term planning already reflects the realities of import dependence and a strong focus on energy security. In the near term, a renewed focus on supply diversification could support US-Japan energy cooperation and greater investment in US energy resources.[45] Over the longer term, the Gulf war and Strait of Hormuz closure and tensions may prompt Japan to place greater emphasis on domestic energy resources, including renewable energy and nuclear energy. The next strategic energy plan could send slightly different signals to utilities and investors. In the meantime, Japan, like other importers across Asia, anxiously awaits a return to normal oil transit from the Middle East. The stakes are high for its economy and energy security.

43. Yusuke Maekawa, "Japan Aims to Replace Up to 14 Atomic Power Reactors by 2050s," Bloomberg, June 4, 2026, https://www.bloomberg.com/news/articles/2026-06-05/japan-aims-to-replace-up-to-14-atomic-power-reactors-by-2050s.
44. Cahill, "How Japan Is Responding."
45. Ben Cahill and Jane Nakano, "Japanese Energy Companies Step Up U.S. Investments," CSIS, January 23, 2026, https://www.csis.org/analysis/japanese-energy-companies-step-us-investments.

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